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SUBJECT: ALGERIA ECONOMIC HIGHLIGHTS

AIR ALGERIE CEO SUMMONED

1. Air Algerie General Manager Tayeb Benouis has been summoned by the prosecutor in charge of the ongoing Khalifa Airways case. The prosecutor will question Benouis about the relationship between the state airline company and Khalifa Group CEO Abdelmoumen Khalifa. The Khalifa Group and various government officials are still under investigation for illegal activities that led to the demise of Khalifa Bank and Khalifa Airways, as well as the loss of billions of dollars in state and private savings.

BANNING THE IMPORTATION OF USED CARS

2. The GOA is studying a new law that would ban the importation of all used cars into Algeria, expanding the scope of an existing importation ban on used vehicles more than three years old. The growing black market for used cars and the ensuing increased auto emissions of older and less sophisticated car models has led authorities to clamp down on a potentially harmful trend that shows no signs of abating. Enforcement of the new measure, however, could be politically problematic. Previous attempts by former administrations to expand the ban faced opposition from deputies in parliament, and the new law would not be in conformity with the EU Association Agreement and WTO regulations. During a recent visit to the Port of Algiers, President Bouteflika expressed his support of a total ban. About 70,000 used cars have been imported since 2002, valued at \$700 million. Most representatives of foreign automobile firms, eager to see increased auto sales, hope that the GOA will expand the existing law and ban all used car imports in the forthcoming supplemental finance law of 2005.

HIGH-SPEED RAIL LINE FOR ALGERIA

3. The National Railroad Company (SNTF) will release an international call for bids on a feasibility study for a 320 km high-speed rail line. The line would link Algiers to other provinces including Bouira, Bordj Bou Arreridj, and Khemis Meliana. The project is part of the GOA's massive five-year plan (2005-2009), which includes an allocation of \$675 million for the modernization of the railroad sector.

A NEW LAW FOR SCIENTIFIC RESEARCH

4. A new draft law governing scientific research will be examined and voted in September to amend existing legislation on the topic. Minister of Higher Education and Scientific Research Rachid Harraoubia declared that the new law aims to improve structural and administrative research conditions as well as the management of scientific research projects. The commission charged with developing the law will tackle the lack of funding for researchers to travel overseas. The draft law will also review and update the socio-economic objectives of scientific research and the list of national research programs.

TRADE BALANCE SURPLUS

5. The National Center for Information and Statistics (CNIS) reported that, for the first six months of 2005, Algeria's trade balance recorded a surplus of \$9.28 billion, an increase of 11% from the same period in 2004. Exports increased 17.25%, reaching \$19.89 billion, while imports increased 22% to \$10.61 billion. According to CNIS, hydrocarbon exports represent 97.7% of the total value of exports, while non-hydrocarbon exports represent only 2.34% or the total, with a value of \$454 million, representing a decrease of 0.8% from last year. Industrial equipment was the largest single category of imported products with a value of \$4.72 billion, approximately 44% of total imports.

SIEVERS